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STATE FOR INL, EAP/MTS, INR/TNC
JUSTICE FOR OIA, AFMLS, AND NDDS
TREASURY FOR FINCEN
DEA FOR OILS AND OFFICE OF DIVERSION CONTROL

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SUBJECT: PHILIPPINES 2007-2008 INTERNATIONAL NARCOTICS
CONTROL STRATEGY REPORT (INCSR) PART I, DRUGS AND CHEMICAL
CONTROL

REF: STATE 136782

¶1. The following text is keyed to questions posed in the
2007-2008 International Narcotics Control Strategy Report,
Part I, Drugs and Chemical Control (ref).

¶I. SUMMARY

¶2. The Government of the Philippines (GRP) attributes a
reported decline in the number of users of illicit drugs to
continued joint efforts of the Philippine law enforcement
authorities in disrupting major drug trafficking
organizations and in dismantling clandestine drug
laboratories and warehouses. The Dangerous Drugs Board (DDB)
reports that in 2007, there was a significant increase in
seizures of clandestine labs, while the number of drug
abusers reportedly declined. The Philippine government
continues to build the capacity of the Philippine Drug
Enforcement Agency (PDEA), which was established by the GRP
in 2002; the PDEA Academy graduated its first 55 agents in
February 2007. Based on 2007 seizures, the Philippines
continues to be a producer of methamphetamine. There is some
evidence that terrorist organizations may use drug
trafficking to fund their activities.

¶3. The Philippines is a party to the 1988 UN Drug
Convention.

II. STATUS OF COUNTRY

¶4. According to the DDB, within the Office of the President,
there has been a continuous decline in the number of drug
users and a downward trend in the number of drug-related
arrests in the Philippines. The most recent DDB survey
(2007) reported that there are approximately 3.4 million
regular and occasional drug users, compared with 6.7 million
in 2004, the last year the survey was conducted.
Methamphetamine, locally known as "shabu," is the primary
drug of choice in the Philippines. However, the significant
number of seizures of clandestine laboratories has resulted
in the continuous decline of supply of methamphetamine. The
DDB reports that the current price of methamphetamine has
escalated from 2,000 pesos per gram in 2006 to 5,000 pesos in
2007, although according to the PDEA, the price varies from
3,000 pesos on the streets of Manila to 5,000 pesos in
outlying provinces. In quantities of 10 grams or more, the
price can be as low as 2,500 pesos per gram.

¶5. Methamphetamine is clandestinely manufactured in the Philippines. Precursor chemicals are smuggled into the Philippines, or illegally diverted after legal importation, from the People's Republic of China (PRC), including Hong Kong. Ephedrine has also been smuggled from India, although there have been no such seizures since 2005. In 2007, there were 220 local drug trafficking groups identified, compared with 105 in 2006. According to the DDB, there were eight known transnational drug organizations operating in the country in 2007, compared with seven in 2006. Each group includes at least five major foreign drug lords from the PRC and Taiwan. Muslim separatist groups participate in the distribution of methamphetamine in the Philippines, particularly in the southern section of the country. The Abu Sayyaf Group (ASG) along with elements of the Moro Islamic Liberation Front (MILF) are also directly involved in smuggling, as well as protection of methamphetamine production and its transportation to other parts of the country and across southeast Asia. The Philippines is a source of methamphetamine exported to Australia, Canada, Japan, South Korea, and the U.S. (including Guam and Saipan).

¶6. Dealers sell methamphetamine hydrochloride in crystal form for smoking (shabu). No production or distribution of methamphetamine in tablet form ("yaba") has been reported in the Philippines. Producers typically make methamphetamine in clandestine labs through a hydrogenation process that uses palladium and hydrogen gas to refine chlor-ephedrine mixture into crystal form. Another production method involves the use of red phosphorous.

¶7. The Philippines produces, consumes, and exports

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marijuana. Cultivation of marijuana is in mountainous, often government-owned, areas inaccessible to vehicles. Marijuana has gained popularity because of the price increase of methamphetamine. Although Philippine law enforcement officials have conducted numerous eradication operations, the lack of fuel for military and police helicopters makes it difficult for the Philippine government to keep up with rapid marijuana re-cultivation. The New People's Army (NPA) insurgent group control and protect most marijuana plantation sites. Most of the marijuana produced in the Philippines is for local consumption, with the remainder smuggled to Korea, Japan, Malaysia, and Taiwan.

¶8. Methylenedioxy-methamphetamine (MDMA), commonly known as ecstasy, is gaining popularity among young expatriates and affluent members of the Philippine society. Although there was no significant increase in seizures during 2007, there is a reported MDMA smuggling organization operating in Mindanao, in the southern region of the country. PDEA reports an increase in the number of dealers operating in the Manila metropolitan area.

¶9. According to the DDB, while there are no reports of ketamine abuse in the country, intelligence indicates the presence of transnational drug groups that utilize the country as a venue for the production of ketamine powder for export to other countries.

III. COUNTRY ACTIONS AGAINST DRUGS IN 2007

¶A. POLICY INITIATIVES

¶10. The administration of President Gloria Macapagal Arroyo has pledged to continue to concentrate on the full and sustained implementation of counter-narcotics legislation and the PDEA as the lead counter-narcotics agency.

¶11. In 2002, President Arroyo created by executive order the Philippine National Police (PNP) Anti-Illegal Drugs Special Operations Task Force (AIDSOTF) to maintain law enforcement pressure on narcotics trafficking while PDEA became fully

functional by 2007. In 2006, PDEA began training its first academy class, which provided approximately 55 new newly trained PDEA agents in February 2007. In mid-2007, the Secretary of the Department of Interior and Local Government

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ordered the then-Chief of PNP to recall over 600 officers who had been seconded to PDEA. Only a small number of PNP officers were allowed to remain in PDEA temporarily, primarily in the headquarters unit and special teams, effectively eliminating PDEA's investigative capability in many provinces. For example, there is now only one PDEA agent in Region I (Ilocos Norte, Ilocos Sur, La Union provinces), the primary area for export of marijuana.

¶12. The GRP has developed and is implementing a counternarcotics master plan known as the National Anti-Drug Strategy (NADS). The NADS is executed by the National Anti-Drug Program of Action (NADPA) and contains provisions for counternarcotics law enforcement, drug treatment and prevention, and internal cooperation in counternarcotics, all of which are objectives of the 1988 UN Drug Convention. In 2007, cities, towns, and barangays (neighborhoods) continued to utilize anti-drug law enforcement councils, as mandated by NADPA, to conduct community awareness programs, such as rallies, seminars, and youth activities.

¶13. The GRP has institutionalized a drug testing program (urinalysis) for law enforcement personnel, students, drivers, firearms owners, and workers. Additionally, the GRP has promulgated a national drug-free workplace program which provides for random drug-testing of employees, and assistance for employees who admit to having a drug problem.

¶14. In July 2005, the DEA Manila Country Office and Joint Inter-Agency Task Force-West (JIATF-W) began to develop a network of drug information fusion centers in the Philippines. The primary facility, the Maritime Drug Enforcement Coordination Center (MDECC) is located at PDEA Headquarters in Quezon City. There are three satellite centers, called Maritime Information Coordination Centers

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(MICCs), located at the headquarters of the Naval Forces Western Mindanao, Zamboanga del Sur (southwestern Mindanao), Coast Guard Station General Santos City (south-central Mindanao), and at Poro Point, San Fernando, La Union (northwestern Luzon). These centers gather information about maritime drug trafficking and other forms of smuggling, and provide actionable target information that law enforcement agencies can use to investigate and prosecute drug trafficking organizations. An executive order requiring the Armed Forces of the Philippines (AFP), Philippine National Police (PNP), National Intelligence Coordinating Agency (NICA), and Philippine Coast Guard (PCG) to comply with an earlier Memorandum of Agreement and partner with PDEA in the Maritime Drug Enforcement Coordination Center (MDECC) project was submitted to the Office of the President in February 2006, but has yet to be signed. The PNP, PDEA, PCG, and NICA have nonetheless voluntarily assigned personnel to the MDECC.

¶B. LAW ENFORCEMENT EFFORTS

¶15. Counter-narcotics law enforcement remains a high priority of the GRP. Lack of resources continues to hinder operations, but law enforcement efforts are relatively effective, given low funding levels. PDEA officials believe ILEA and JIATF-West training for law enforcement and military personnel have helped make interdiction operations more efficient and effective. GRP law enforcement agencies continued to target major traffickers and clandestine drug labs in 2007. Significant successes included the seizures of a number of clandestine laboratories and warehouses. In September 2007, the PNP recovered 246 kilograms of high-grade "shabu" from an overturned vehicle on the South Luzon Expressway, south of Manila; PNP estimated the potential

street price of the methamphetamine to be P1.23 billion (USD 27.33 million).

¶16. Current Philippine laws regarding electronic surveillance and bank secrecy prevent Philippine enforcement agencies from using electronic surveillance techniques, and restrict access to bank information of suspected drug traffickers. The 1965 Anti-Wiretapping Act prohibits the use of wiretapping, as well as consensual monitoring of conversations and interrogations, as evidence in court. Additionally, there are no provisions to seal court records to protect confidential sources and methods. Hence, most drug arrests result from information from disgruntled drug trafficking insiders who voluntarily give leads to the Philippine authorities.

¶17. Along with a nearly 80% loss of its investigative manpower, the lack of a functioning laboratory remains a significant operational weakness for PDEA, as in previous years. Dismissals and resignations have also decreased the number of experienced staff at the laboratory. In addition, the lab lacks basic equipment. The Japanese International Cooperation Agency donated a sophisticated gas chromatograph mass spectrometer scanner to PDEA in 2006, but the capacity of the PDEA lab has not been fully developed; many exhibits are analyzed at the PNP crime laboratories, particularly in the provinces. In addition, the lack of a functioning lab means there is no adequate storage facility for evidence; currently, PDEA stores seized drugs and chemicals (some highly toxic) in shipping containers in the headquarters parking lot. PDEA is interviewing candidates for the vacant Laboratory Service Director position. Selection of an experienced, fully qualified forensic chemist to take over operations and develop standard operating procedures would be an important step in creating a credible, functional lab.

¶18. Pervasive problems in law enforcement and criminal justice system such as corruption, low morale, inadequate resources and salaries, and lack of cooperation between police and prosecutors also hamper drug prosecutions. The slow process of prosecuting cases not only demoralizes law enforcement personnel but also permits drug dealers to continue their drug business while awaiting court dates. GRP statistics in 2007 showed only a 35 percent conviction rate in drug cases, and the leading cause for dismissal of cases is the non-appearance of prosecution witnesses, including police officers. By the time a case gets to trial, witnesses

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have often disappeared, or been persuaded through extortion or bribery to change their testimony. The Comprehensive Dangerous Drug Act prohibits plea-bargaining in exchange for testimony once a suspect has been charged; this concept conflicts with standard practices in the U.S. and other Western countries. There is no incentive for a defendant to plead guilty and offer testimony against superiors in the drug trafficking organization, so investigations in the Philippines generally end with the first arrests. Often, runners and street dealers are the only ones charged, and they have no motive to give up their sources and patrons. This is a significant weakness in the Comprehensive Dangerous Drug Act.

¶19. The terrorist Abu Sayyaf Group (ASG) and New People's Army (NPA) are directly linked to drug trafficking activity. PNP officials believe elements of the ASG are engaged in providing security for marijuana cultivation, protection for drug trafficking organization (DTO) operations, and local drug distribution operations, particularly in Jolo and Tawi-Tawi. Philippine police and military officials report that the ASG continues to provide protection for major drug trafficking groups operating in the Sulu Archipelago as well as local drug trafficking activity, in exchange for cash payments that help fund their own operations; many ASG members are drug users themselves. Likewise, NPA cadres throughout the country earn money to feed their members by

providing protection to drug traffickers and marijuana cultivators.

¶20. The Philippine authorities dismantled five clandestine methamphetamine mega-laboratories and several warehouses in ¶2007. GRP law enforcement officials cite three factors behind the existence of domestic labs:

- a. The simplicity of the process in which ephedrine can be converted into methamphetamine on a near one-to-one conversion ratio;
- b. The crackdown on drug production facilities in other methamphetamine-producing countries in the region; and
- c. The relative ease, increased profit, and lesser danger of importing precursor chemicals for methamphetamine production (ephedrine/pseudo-ephedrine), compared to importing the finished product.

¶21. Additionally, corruption and inefficiency in the judicial process encourage foreign traffickers to establish their clandestine laboratories in the Philippines vice other countries in Asia. They are less likely to be caught, particularly since their communications cannot be intercepted, and if they are arrested, they are unlikely to be convicted.

¶22. PDEA reports that in 2007, authorities seized 328.82 kilograms of methamphetamine, which they valued at USD 38.28 million (at USD 100 per gram), 31.72 kilograms of Ketamine, which they valued at USD 3.17 million (at USD 100 per gram), 793 kilograms of processed marijuana leaves and buds, which they valued at USD 396,500 (at USD 0.50 per gram), and 2.536 million plants (including seedlings), which they valued at USD 11.66 million (at USD 4.60 each). Philippine authorities claimed to have seized total narcotics worth approximately USD 53,486,500, arrested 5,489 people for drug related offenses, and filed 3,359 criminal cases for drug crimes in ¶2007. By comparison, 8,616 individuals were arrested in ¶2006. Out of 13,667 drug cases filed from 2003 to 2007, only 4,790 led to convictions (most of which were cases of simple possession). The rest were either acquitted or dismissed. PRC- and Taiwan-based traffickers remain the most influential foreign groups operating in the Philippines.

¶C. CORRUPTION

¶23. Corruption among the police, judiciary, and elected officials continues to be a significant impediment to Philippine law enforcement efforts. The GRP has criminalized public corruption in narcotic law enforcement through the Comprehensive Dangerous Drug Act (CDDA), which clearly

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prohibits GRP officials from laundering proceeds of illegal drug actions. Four PDEA employees were arrested in 2006 for the theft of seven kilograms of seized methamphetamine from PDEA headquarters. These personnel have been detained and charges are still pending against them. Ten PDEA and PNP AIDSOTF officers were arrested in October 2006 for conducting illegal raids, and for kidnapping the subjects of those raids. Both the PNP and PDEA have divisions for internal policing, for corruption, and other violations of policy and law. There are strong indications that drug money is funding illicit aspects of provincial and local political campaigns, such as vote buying, bribery of election officials, ballot theft, and voter intimidation.

¶24. As a matter of government policy, the Philippines does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drug or other controlled substances, or the laundering of proceeds from illegal drug transactions.

¶25. No known senior official of the GRP engages in,

encourages, or facilitates the illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions. However, a city mayor from Quezon province was convicted in 2007 on charges from a 2001 drug trafficking investigation, and is now serving a term of life imprisonment. Numerous other active and former politicians and officials, some of them senior, have been implicated in drug trafficking and money laundering, but have yet to be charged.

1D. AGREEMENTS AND TREATIES

126. The Philippines is a party to the 1988 UN Drug Convention, as well as to the 1971 UN Convention on Psychotropic Substances, the 1961 UN Single Convention on Narcotic Drugs, and the 1972 Protocol Amending the Single Convention. The Philippines is a party to the UN Convention against Transnational Organized Crime and its protocols against trafficking in persons and smuggling of migrants. The U.S. and the GRP continue to cooperate in law enforcement matters through a bilateral extradition treaty and Mutual Legal Assistance Treaty. The Philippines has signed the UN Convention Against Corruption.

1E. CULTIVATION/PRODUCTION

127. DDB reports that there are at least 60 marijuana cultivation sites spread throughout the mountainous areas of nine regions of the Philippines, compared with PDEA's estimate of 120 sites in 2006. Using manual techniques to eradicate marijuana, various government entities claim to have successfully uprooted and destroyed 2.536 million plants and seedlings in 2007, compared with 2.713 million plants and seedlings in 2006.

1F. DRUG FLOW/TRANSIT

128. The Philippines is a narcotics source and transshipment country. Illegal drugs and precursor chemicals enter and leave the country through seaports, economic zones, and airports. The Philippines has 7,000 islands and over 36,200 kilometers of coastline. Vast stretches of the Philippine coast are virtually unpatrolled and sparsely inhabited. Traffickers often use shipping containers, fishing boats, and cargo vessels (which off-load to smaller craft) to transport multi-hundred kilogram quantities of methamphetamine and precursor chemicals. AFP and law enforcement marine interdiction efforts are made ineffective by a lack of intelligence sharing and basic resources such as fuel for patrol vessels. Commercial air carriers and express mail services remain the primary means of shipment to Guam, Hawaii, and to the mainland U.S., with a typical shipment size of one to four kilograms. One unique case involved female airline passengers carrying methamphetamine to Guam, Hawaii, and California on their person. There has been no notable increase or decrease in transshipment activities in 12007.

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1G. DOMESTIC PROGRAMS AND DEMAND REDUCTION

129. The Comprehensive Dangerous Drug Act of 2002 includes provisions that mandate drug abuse education in schools, the establishment of provincial drug education centers, development of drug-free workplace programs, the implementation of random drug testing for secondary and tertiary students; mandatory drug testing for military and law enforcement personnel, and driver's license and firearm license applicants; and other demand-reduction classes. Abusers who voluntarily enroll in treatment and rehabilitation centers are exempt from prosecution for illegal drug use. Statistics from rehabilitation centers will be submitted later.

IV. U.S. POLICY INITIATIVES AND PROGRAMS.

1A. U.S. POLICY INITIATIVES

130. The USG's main counternarcotics assistance goals in the Philippines are to:

- a. Work with local counterparts to provide an effective response to counter the still-growing clandestine production of methamphetamine;
- b. Cooperate with local authorities to prevent the Philippines from becoming a source country for drug trafficking organizations targeting the United States market;
- c. Promote the development of PDEA as the focus for effective counternarcotics enforcement in the Philippines; and
- d. Provide ILEA, JIATF-West, and other drug-related training for law enforcement and military personnel.

1B. BILATERAL COOPERATION

131. The U.S. assists the Philippine counternarcotics efforts with training, intelligence gathering and fusion, and infrastructure development.

1C. ROAD AHEAD:

132. The USG plans to continue work with the GRP to promote law-enforcement institution building and encourage anti-corruption mechanisms via JIATF-West programs, as well as ongoing programs funded by the Department of State (INL and S/CT, and USAID). Strengthening the bilateral counter-narcotics relationship serves the national interests of both the U.S. and the Philippines.

1V. STATISTICAL TABLES.

133. The Philippines is not a "Major List" country.

VI. CHEMICAL CONTROL.

134. There is no domestic production of ephedrine or pseudoephedrine in the Philippines. Pseudoephedrine is imported into the country for production of Robitussin DM-P FS Syrup and Robitussin PS Syrup by pharmaceutical companies.

There is no known case of diversion of ephedrine or pseudoephedrine since 2004, when the Philippine Bureau of Customs seized a transshipment of 1,500 kg pseudoephedrine from China to Australia by a shell company using a forged importation permit. To ensure ephedrine and pseudoephedrine are not diverted for illicit use, the GRP law requires all importers of these two chemicals to register with PDEA so secure importer's licenses. In addition, for every importation of these chemicals, an import permit must be secured with PDEA prior to importation. Upon the arrival of the chemicals, the Bureau of Customs notifies PDEA for inspection of imported chemicals, and a second inspection is also done by PDEA at the storage facility of the chemicals. No movement of these chemicals is allowed without a permit from PDEA. Import permits and local permits concerning transactions involving ephedrine/pseudoephedrine are obtained via PDEA, and a copy of the import permit is provided to the appropriate authority of the exporting country.

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